



PHILADELPHIA HOUSING AUTHORITY THE OFFICE OF AUDIT AND COMPLIANCE

FISCAL YEARS 2021 & 2022
ACCOMPLISHMENTS REPORT

APRIL 1, 2020 – MARCH 31, 2022



OUR MISSION

The Office of Audit and Compliance (OAC) is the Philadelphia Housing Authority's (PHA) independent oversight department established to perform investigative, audit, and compliance-related activities relating to PHA's operations, programs, and services. OAC serves PHA by helping to identify and reduce risks and by taking steps to ensure that policies, procedures, laws, and regulations are followed, established standards are met, and resources are used efficiently and effectively.

OAC operates under the general direction of PHA's President and CEO with a direct reporting relationship to the Board of Commissioners. OAC is comprised of an Internal Audit Unit, Compliance Units, and an Investigations Unit.

OAC provides the following services:

- Conducts compliance reviews of operating controls and transactions to determine compliance with local, state, and federal laws, regulations, and procedures.
- Conducts performance/operational audits to determine efficiency, economy, and effectiveness of all program areas and operations.
- Conducts criminal and administrative investigations involving allegations of impropriety, fraud, criminal activities, conflicts of interest, waste, and mismanagement.
- Serves as a liaison and coordinator of PHA's interests with the U.S. Department of Housing and Urban Development (HUD), external auditors, local, state, and federal regulatory and investigative bodies.
- Responds to requests from the Board of Commissioners, the President and CEO, and the Senior Management team for independent analysis of management or internal control systems.



TABLE OF CONTENTS

MESSAGE FROM THE PRESIDENT & CEO	4
MESSAGE FROM THE SENIOR EXECUTIVE VICE PRESIDENT	5
THE FISCAL YEARS IN NUMBERS	6
IDENTIFYING AND PREVENTING CORRUPTION	7
EXTERNAL PARTNERSHIPS	11
PROTECTING OUR ASSETS	10
EVALUATING AND IMPROVING	12
WAGE COMPLIANCE	14
SECTION 3 COMPLIANCE	14
MOVING FORWARD	15

MESSAGE FROM THE PRESIDENT & CEO



Fair dealing, integrity, and honesty are critical to the success of PHA and the work of the Office of Audit and Compliance (OAC) is critical to ensuring these components. OAC monitors, assesses, and follows up on

operations and processes for PHA management, staff, residents, and contractors, to ensure adherence to defined standards, impartiality, and accountability.

The significant achievements of OAC for the last two fiscal years are detailed in this report and also have been integral to PHA's maintaining an AA- Standard & Poor's credit rating and obtaining an exemplary audit determination from its independent auditors for FY 2022.

PHA's current well-deserved reputation for integrity and responsibility is directly linked to the clear relationship between OAC's ongoing, visible, and respected oversight role and the day-to-day functioning of all of PHA's operations.

Over the period covered in the report, OAC has uncovered and addressed situations of fraud, employee and contractor misconduct, and reviewed a multitude of reports and processes, to keep PHA well on track. Among other accomplishments, OAC recovered over

a million dollars, cash, for PHA, to further its mission of providing quality, affordable, low-income housing to the city's most vulnerable populations. This was done through OAC's partnerships with outside agencies, at the local, Commonwealth and federal levels; the solid performance from its departments of Investigations, Internal Audit, Compliance, and Section 3; and its tenacity and dedication in all its endeavors.

Under the focused guidance and organization of OAC Senior Executive Vice President - Public Safety, Audit and Compliance Janea Jordon, the OAC staff continues to model efficient and exemplary work, for the benefit of PHA's employees, residents, contractors, and the community in general, furthering honesty and accountability.

I am pleased to share this report with the public. The work they have done is invaluable to this organization as our fundamental principles, honesty and values serve as guiding lights.

Sincerely,

A handwritten signature in black ink that reads "Kelvin A. Jeremiah". The signature is fluid and cursive, with a large loop at the end.

Kelvin A. Jeremiah
President & CEO
Philadelphia Housing Authority

MESSAGE FROM THE SENIOR EXECUTIVE VICE PRESIDENT – PUBLIC SAFETY, AUDIT AND COMPLIANCE



This reporting period was one like no other, as the COVID-19 pandemic not only halted world operations for a period but followed with major adjustments in the way that companies across the nation conducted business. The Office

of Audit and Compliance (OAC) was no exception as we realigned how we perform our day-to-day tasks. We altered our interactions with the public, our ability to enter units, and our interactions with employees, residents, and vendors. We also restructured how we work as a team; all with the end goal of remaining true to our mission of safeguarding the integrity of PHA, and supporting PHA management in meeting its governance, risk management, compliance, and internal control responsibilities.

I am proud to say that our Investigations unit uncovered close to \$1.5 million dollars in fraud over the two-year period, collecting a little under \$250,000 of monies owed to PHA. Our Internal Audit unit continued with the implementation of our annual risk assessment process, successfully completing 17 agency wide internal audits, the majority of which were conducted in virtual settings

and following new protocols. Our Compliance unit worked collaboratively with other departments to ensure that PHA met its Section 3 goals and to ensure that PHA implemented HUD's new Section 3 rules across the agency. The Compliance unit also continued to proactively manage Elevated Blood Lead Levels in partnership with the City of Philadelphia, and persisted in ensuring that our vendors pay employees the lawful wages owed under our federally funded projects. Lastly, the OAC facilitated multiple external reviews, ensuring that PHA responded accurately, timely and transparently.

With the oversight of our President & CEO and PHA's Board of Commissioners, the OAC continued to add value to PHA. I remain honored to serve as the leader of the OAC's efforts and am thankful for the never-ending support of Kelvin A. Jeremiah, the OAC team, PHA's departments, our residents and the Board of Commissioners.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Janea Jordon'. The signature is fluid and cursive, with a large initial 'J' and 'J'.

Janea Jordon
Executive Vice President, OAC
Philadelphia Housing Authority

THE FISCAL YEARS IN NUMBERS

FINANCIAL ACCOMPLISHMENTS 2021 & 2022

Internal Audit Potential Recoveries	\$799,350.00
Total Amount of Fraud Uncovered through Investigations.....	\$1,475,925.40
Repayment Agreements (Ordered)	\$210,080.41
Repayment Agreements* (Collected)	\$247,163.82
Termination/Resignation Savings.....	\$408,556.31
Pension Contribution Savings	\$ 96,380.35

COMPLAINT INTAKE

Throughout FY 2021, the OAC Investigations division received a total of 316 complaints; of which 147 were opened as active investigations. The Investigations team closed 198 investigations and 148 cases were substantiated.¹

In FY 2022, the OAC Investigations division received a total of 356 complaints. Of those complaints, 162 were opened as active investigations. During FY 2022, the Investigations division completed 154 investigations, of which 108 were substantiated.²

REPAYMENT AGREEMENTS

In certain situations, where an OAC investigation does not necessarily result in an intentional act of fraud, but PHA has still been financially harmed, OAC will seek to enter into a Repayment Agreement with the resident/tenant to make PHA whole.

As of March 31, 2022, the OAC has entered into Repayment Agreements to recapture a total of \$210,080.41 of uncovered financial loss. In addition, of the financial losses uncovered, OAC has collected \$247,163.82 as part of the Repayment initiative for the fiscal years 2021 and 2022.³

The OAC is dedicated to ensure that PHA is made whole when it suffers a loss due to fraud, waste, or abuse. In that spirit, the OAC continually seeks new avenues to recoup fraud, waste, and abuse at PHA.

TERMINATION SAVINGS

As of March 31, 2022, OAC investigations of reported employee misconduct involving fraud, waste, and/or abuse resulted in the termination, resignation or demotion of eighteen (18) PHA employees, saving PHA \$408,556.31 based on two-year salary projections. In addition, it is estimated that these terminations or resignations have resulted in a savings of pension contributions by PHA in excess of \$96,380.35.⁴

1. OAC Investigators have up to 180 business days to complete an investigation; therefore, this number reflects complaints that were received prior to FY 2021.
2. OAC Investigators have up to 180 business days to complete an investigation; therefore, this number reflects complaints that were received in prior to FY 2022.
3. This figure includes payments from Repayment Agreements from prior fiscal years.
4. OAC utilized conservative estimates in the determination of the financial impact of terminations, resignations, and demotions of PHA employees. Some agencies, particularly in the federal sector, project similar saving over the remainder of the dismissed employees' careers.

IDENTIFYING AND PREVENTING CORRUPTION

The Investigations Unit within the OAC is tasked with investigating allegations of fraud, corruption, official misconduct, conflicts of interest, abuse of authority, and other criminal offenses with respect to employees, residents and persons or entities doing business with the PHA. Over the last two fiscal years, the OAC has focused on investigating complaints received that target individuals who defrauded the Authority for personal gain.

For fiscal year 2021 and 2022, the Investigations Unit received 672 complaints which ultimately led to the investigation of 309 cases that uncovered fraud in the amount of \$ 1,475,925.40.

UNREPORTED INCOME/UNAUTHORIZED TENANTS

During FY 2021 and 2022, the OAC's Investigations Unit investigated hundreds of instances in which it was alleged that those who receive Public Housing subsidy have misrepresented their family compositions or their financial circumstances to defraud PHA, and subsequently thwart PHA's efforts to provide housing subsidies to individuals and families who are most in need. What follows are examples of cases that, combined with the other fraud investigations, resulted in the OAC uncovering over 1.4 million dollars in fraud.⁵



While investigating a Public Housing tenant's alleged fraud, it was determined that the tenant certified that her adult son no longer resided in her unit. The tenant signed documents removing her son from her family composition so that his income would not be factored into the determination of her monthly rental amount, ultimately increasing the amount of public housing subsidy she received. Contrary to these certified statements, the investigation established that the adult son was in fact residing in the unit and earned over \$70,000.00 which was not included in the household rental calculation. As a result of this tenant's failure to honestly report their income, a recalculation determined that PHA was defrauded in the amount of \$22,971.00. Based on the investigation, PHA has filed to remove the tenant from the program with criminal charges pending.

In another investigation, the Investigations Unit received information regarding a Housing Choice Voucher (HCV) tenant who allegedly allowed an individual who was not on their family composition to reside in the HCV unit. The investigation determined that the person in question was in fact an unauthorized tenant who resided in the unit for a number of years and earned income in excess of \$200,000.00 during that time. This fact resulted in the tenant receiving excess subsidy and PHA being defrauded in the amount of \$15,392. As a result of this substantiated investigation, the tenant's voucher was terminated and possible criminal charges are pending.

VIOLATIONS TO THE HOUSING CHOICE VOUCHER PROGRAM RENTAL POLICIES

Pursuant to HUD regulations, landlords involved in the HCV program are barred from renting to certain relatives such as parents, grandparents, children, grandchildren, and siblings. As such, both landlords and tenants are required to sign documentation that identifies the prohibited relationships and informs them that renting to and from such family members is forbidden. During fiscal years 2021 and 2022, the Investigations Unit conducted three investigations into such improper contracts and found that in each case, the landlord and the tenant were family

5. This figure represents federal dollars overpaid in housing subsidy due to unreported income

members that were specifically banned by HUD and that such relationship was not disclosed to PHA at the time the Housing Assistance Payment contracts were signed. As a result, it was determined that the three landlords in question received \$234,684.00 in rental payments to which they were not entitled, per HUD regulations. The results of all three investigations were referred to the HUD Office of Inspector General (OIG) and the United States Attorney's Office for their review and appropriate action.

PREVENTING LIFETIME SEX OFFENDERS FROM RECEIVING HOUSING SUBSIDY

Pursuant to HUD regulations, individuals identified as Tier III sexual offenders are forbidden from residing in public housing or any unit that receives federal subsidy.⁶ The Investigation Unit performs monthly reviews of Pennsylvania Megan's Law Registry to determine if any registrants are reporting one of PHA's federally funded units as their personal residence. In cases where individuals are identified, investigations are conducted to determine the accuracy of the information reported. Where the information is determined to be accurate, steps are taken to remove the individual from the public housing program or to otherwise terminate the federal subsidy assistance. Additionally, in cases where it is concluded that the individual is inaccurately reporting their address on the Megan's Law Registry, the Pennsylvania State Police are notified of the false report so that appropriate action can be taken.

EMPLOYEE MISCONDUCT

In addition to conducting investigations into tenant fraud, the Investigations Unit also conducts investigations when it is alleged that PHA employees have committed instances of fraud, waste, or abuse.



For example, the OAC received a complaint from a public housing tenant alleging that a money order they provided to PHA as a rent payment was never applied to their account due to a misappropriation. Upon completion of the investigation, the OAC was able to substantiate that the tenant's rental payment of \$220.00 was stolen by a PHA employee and was deposited into their personal bank account. The employee's behavior resulted in their termination from PHA.

INTERNAL AFFAIRS

The OAC Investigations Unit serves as the Internal Affairs Unit for complaints that involve PHA's Office of Public Safety (OPS) officers. In this capacity, the Investigations unit conducts impartial investigations into citizen Complaints Against Police (CAP) and/or requests for investigations from the OPS directly. The investigations include cases where there are potential serious allegations involving infractions to PHA OPS directives, as well as cases that involve use of force to determine if the officer's

6. Tier III sexual offenders are individuals who have been convicted of, entered a guilty plea to, or have been adjudicated delinquent of various crimes of sexual nature and are subject to the lifetime registration on Pennsylvania's Megan's Law Registry.

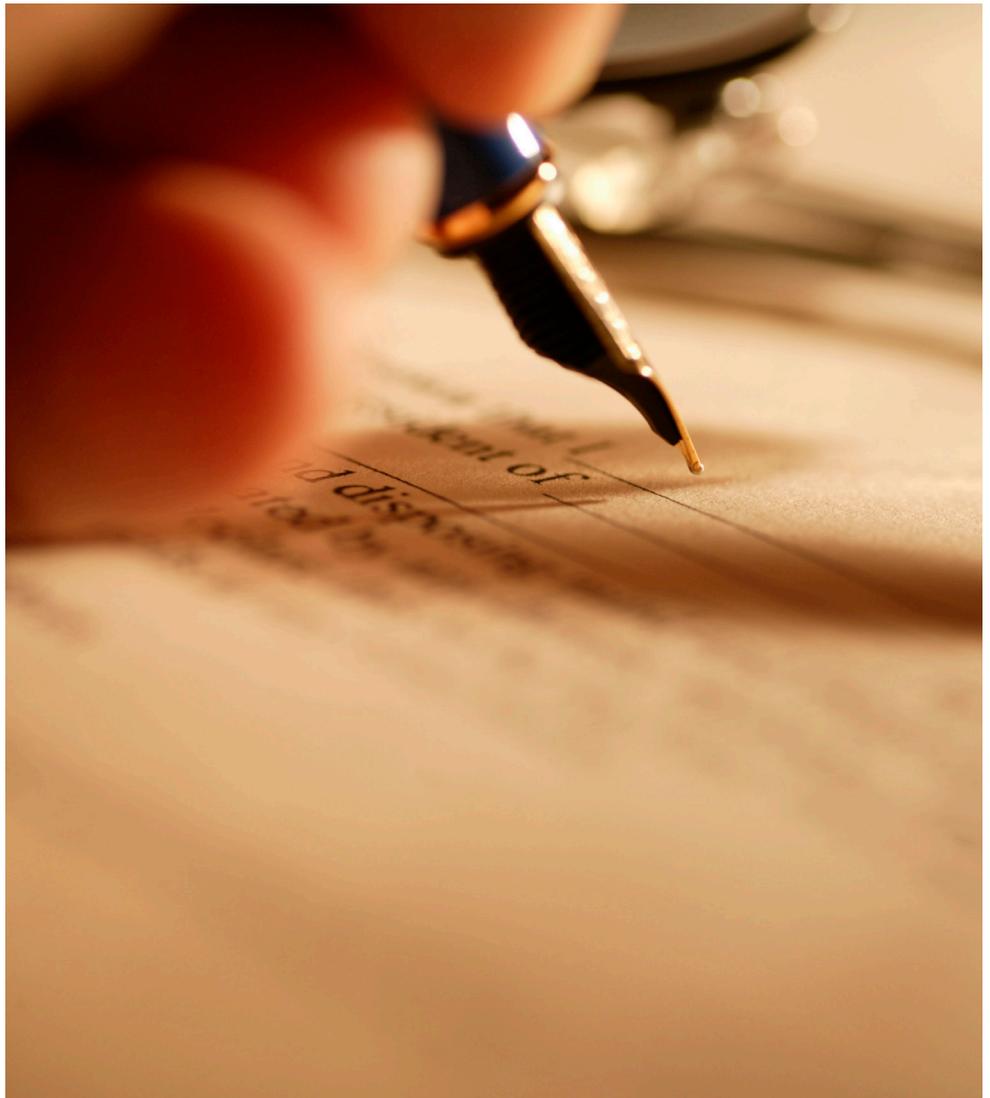
actions were in accordance with governing directives.

A brief synopsis of two Internal Affairs investigations are as follows:

In one investigation, the Investigations Unit received a CAP from an individual who alleged that a PHA officer detained him, held him down, and removed \$540.00 from his wallet. During the investigation, OAC reviewed body-worn camera footage of the officer in question and determined that the officer's interactions with the complainant, who was visibly intoxicated at the time, were not only professional and appropriate, but also completely exonerated him of any wrongdoing.

In another investigation, the Investigations Unit received information from PHA OPS that a PHA officer may have been involved in an accident with a PHA vehicle and failed to file the appropriate paperwork regarding the accident in a timely manner. A review of video footage of the incident revealed that the officer in question struck a barricade during their tour of duty causing damage to a PHA vehicle. The investigation determined that the officer, although admitting to the accident, failed to follow PHA OPS procedure with regards to the filing of the required documents in a timely fashion.

In cases where the OAC determined that an officer violated a PHA OPS directive, the appropriate referral was made to the Senior Vice President of OPS and to the Executive Vice President of Human Resources so that suitable action could be taken.



VIOLATIONS OF PHA CODE OF ETHICAL CONDUCT AND ANTI-FRAUD ETHICAL VIOLATIONS

The Investigations Unit also received a complaint that a vendor allegedly violated PHA's Code of Ethical Conduct. An investigation ensued which found that an employee of a vendor offered a kickback to a PHA employee in the form of a cash payment equal to a percentage of the amount of materials that was purchased. The PHA employee immediately reported the representative's behavior to their supervisor, and because of the substantiated investigation, the matter was referred to PHA's Supply Chain Department for appropriate action with the vendor in question.

EXTERNAL PARTNERSHIPS

PARTNERSHIPS TO COMBAT FRAUD

The OAC continued its work with the Philadelphia District Attorney's Office and HUD's OIG, working together where appropriate to hold those who defraud PHA accountable.

Over the course of FY 2021 and 2022, the OAC made four referrals to the District Attorney's Office and the HUD OIG. Combined, the four fraudsters defrauded PHA of \$268,100.00, and denied valuable housing subsidy from those who need it most.

The OAC values the partnership between PHA, the Philadelphia District Attorney's Office, and HUD OIG. Over the past two fiscal years, PHA has worked with the departments to present a unified approach in holding those responsible for abusing the public trust, thereby freeing up resources to house Philadelphia's most marginalized and disadvantaged citizens.

DEPARTMENT OF PUBLIC HEALTH AND OAC PARTNER TO REDUCE RISK OF LEAD POISONING

OAC and the Philadelphia Department of Public Health (PDPH) has continued their partnership over the 2021 and 2022 fiscal years by maintaining inter-agency communication and documentation around children with elevated blood lead levels. The Compliance Unit within



OAC is responsible for communicating to the Philadelphia Department of Public Health that an Elevated Blood Lead Level ("EBLL") notification has been received and coordinates the required information sharing related to each individual cases. This partnership is pursuant to the Memorandum of Understanding (MOU) between PHA and Philadelphia Department of Public Health. Despite challenges due to the COVID- 19 pandemic during this period, communication around these important cases remained consistent throughout both fiscal years.

OTHER PARTNERSHIPS

The OAC has initiated and maintained partnerships with several federal, state, and local agencies in efforts to protect the integrity of PHA and to further hold individuals who defraud the Agency accountable. These partnerships include:

- Philadelphia District Attorney's Office
- U.S. Department of Housing and Urban Development (HUD) - Office of the Inspector General
- Social Security Administration - Office of Inspector General
- Federal Bureau of Investigation
- United States Postal Inspectors
- Internal Revenue Service
- United States Attorney's Office
- Pennsylvania State's Ethics Commission
- Philadelphia Police Department
- Pennsylvania Office of the Inspector General
- Philadelphia Office of the Inspector General
- Pennsylvania Department of Public Welfare
- Pennsylvania Department of Labor
- Pennsylvania State Police
- Philadelphia Department of Public Health
- HUD Lead Regulation Office PHA Assets

PROTECTING PHA'S ASSETS

PHA ASSETS

The Internal Audit (IA) Unit within the OAC assists the Philadelphia Housing Authority's management and the Board of Commissioners through the Audit Committee by determining the effectiveness of PHA's internal control systems. IA's annual agency-wide risk assessment process produces an audit plan that prioritizes audits based on identified risks. By conducting risk-based audits and reviews, IA provides reasonable assurance regarding PHA's:

- Compliance with laws, regulations, policies, and procedures;
- Achievement of business objectives;
- Reliability of financial and management reporting; and
- Safeguarding of assets



entails IA performing extensive follow-up activities and working with various PHA departments, affiliates, and Resident Councils to ensure that the agreed upon CAP is implemented.

FY 2021 & 2022 INTERNAL AUDITS

During fiscal years 2021 and 2022, IA completed seventeen (17) of seventeen (17) (100%) planned audits as outlined in the 2021 and 2022 annual audit plans.

IA issued the applicable draft audit reports and review memorandums with associated management Corrective Action Plans (CAP).

In total, over the two year period, IA made seventy-three (73) recommendations aimed at improving efficiency, economy and operational effectiveness; IA was able to successfully close forty-five (45) (62%) of the seventy-three (73) Corrective Action Plans recommended. Of the remaining twenty-eight (28) open CAP's, IA continues to monitor the audit client until the CAP may be closed. Additionally during fiscal year 2022, IA successfully closed ten (10) of seventeen (17) audits for fiscal years 2021 and 2022. The audit closure process

in addition to identifying quantifiable measurable benefits, in terms of monetary recoveries and savings, OAC's audits identified other opportunities for improvement within PHA's operations. IA recommended the development and implementation of policies and procedures to several of PHA's departments and programs with the goal of achieving consistency and standardization in day-to-day operational processes. In addition, IA collaborated with PHA's staff to improve and implement effective internal control systems throughout the agency.

The audits and reviews conducted resulted in \$799,350.00 in cost recoveries through direct implementation of recommendations, realized savings from the adoption of other recommended improvement opportunities, and potential recovery of federal funds.

EVALUATING AND IMPROVING

The Compliance Unit within OAC works closely with internal departments throughout PHA to ensure efficiency and effectiveness within the Agency's operations, programs, and services. Over the past two fiscal years, these partnerships have led to the development and implementation of initiatives that have cut costs and increased productivity, resulting in dollars saved, resources spared, and man-hours conserved. Supplementary to the Internal Audit Unit, the Compliance Unit assists with eliminating waste and achieving compliance with applicable rules, regulations, policies and procedures.

The Compliance Unit's projects for the reporting period included:

SEMI-ANNUAL ADMISSIONS REVIEW

The Compliance Unit with the OAC developed and conducted a review to identify potential areas for improvement within PHA's Central Admissions Department for the Public Housing program. The purpose of this routine review is to ensure that the Central Admissions Department is complying with the policies and procedures set forth by the PHA in the Admissions and Continued Occupancy Policy (ACOP), Moving to Work (MTW) Plan, and other applicable internal policies and procedures.

The Compliance Unit Division partnered with the Central Admissions Department to successfully create and implement a corrective action plan to resolve the identified issues and improve process performance in the following areas:

- Applicant file folder maintenance
- Eligibility and suitability verification
- Maintenance of applicants deemed "ready" for housing assistance
- Projected rent calculations
- Housing of applicants in a timely manner

COMPLIANCE REVIEW OF EXTENSIVE REHABILITATION PROJECTS

PHA expends a significant amount of federal funding on maintaining its dated housing stock. PHA's Construction Department is responsible for the extensive rehabilitation of long-term vacant units in order to bring them back to rent-ready status. Given the amount of work and the cost to restore these much needed units, the Compliance Unit developed and conducted a review to ensure that funds were being expended appropriately on these projects, and that units are being rehabbed in line with projected cost estimates and time lines.

The OAC Compliance Unit partnered with the Capital Project Department to initiate a compliance review of various stages (initial, mid and close out) for the following projects: Scattered Sites – Provisional Rehab Projects 1 through 8.

EMERGENCY PROCUREMENT VALIDATION

The Compliance Unit continued its process of ensuring that items procured via the emergency procurement process are properly delivered and installed. As emergency situations circumvent some steps of the full procurement process, the objective was to ensure all emergency items procured have supporting documentation for delivery and installation.

In partnership with PHA's PH Operations and Supply Chain Department, six cases were reviewed – all of which were concluded to be compliant.



HOUSING CHOICE VOUCHER PROGRAM (HCVP) QUALITY CONTROL HOUSING QUALITY STANDARD (HQS) UNIT INSPECTIONS

The Compliance Unit conducts monthly inspections to monitor the performance of the HCVP Inspectors and makes recommendations based on HQS deficiencies. During the fiscal year of 2021 & 2022, in excess of 978 Quality Control HQS unit inspections were conducted, and 115 identified units with violations were reported and corrected.

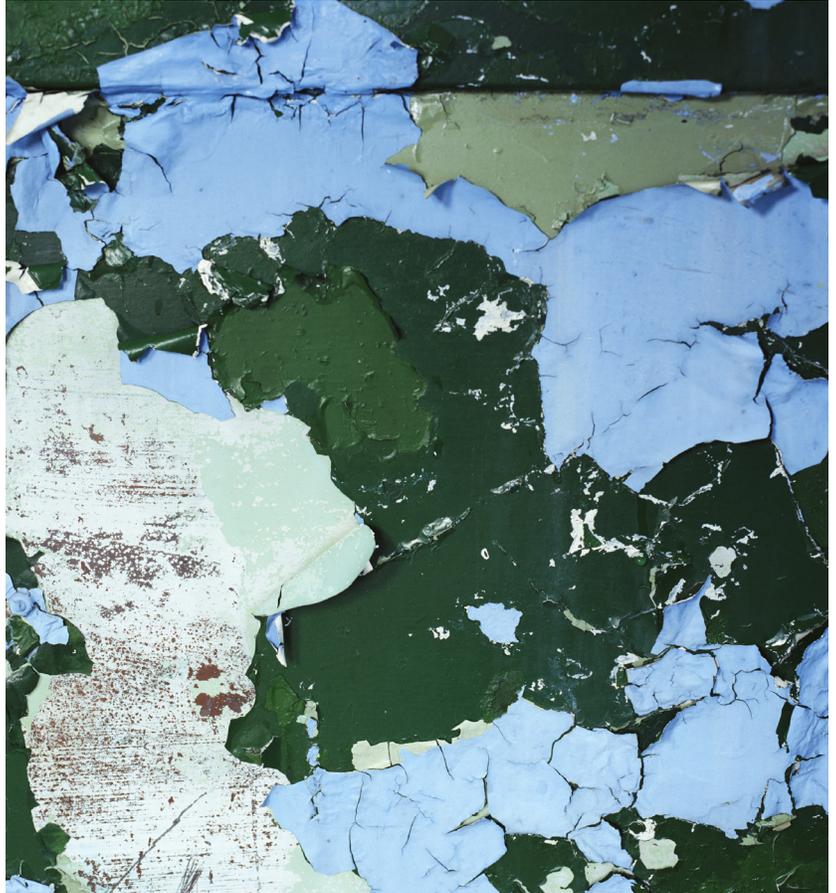
MAINTENANCE SITE-BASED QUALITY ASSURANCE REVIEWS (SBQARS)

The Compliance Unit created a Maintenance based review to capture and identify areas of concern and potential areas for improvement. Accordingly, Maintenance Site-Based Quality Assurance Reviews (SBQAR) were completed to ensure that the Maintenance Department is complying with applicable policies and procedures.

This review focuses on the following: 1) providing an understanding of the relevant issues and identifying areas of concern that the Maintenance Department should address through process improvement initiatives; 2) determining whether each site is adhering to the mandated policies and procedures; 3) performing a review of the maintenance documents; and 4) ensuring documents are properly recorded and filed. During the fiscal year of 2021 & 2022 a total of thirteen (13) sites were reviewed.

PROPERTY MANAGEMENT SITE BASE QUALITY ASSURANCE REVIEWS (SBQARS)

The Compliance Unit conducted compliance reviews of the Public Housing (PH) program to determine adherence to applicable policies and procedures. The Compliance Unit uses the SBQAR process to routinely review site management offices' compliance with regulations set forth by HUD. Additionally the SBQAR gauges adherence to PHA's policies and procedures outlined in the PH and



Philadelphia Asset & Property Management Corporation (PAPMC) Admissions and Continued Occupancy Policy (ACOP), PH Resource Guide and PHA Move to Work (MTW) Plan.

This review focuses on the following: 1) provide an understanding of the relevant issues and concerns that exist within Housing Operations; 2) determine whether each site is adhering to mandated policies and procedures; 3) perform a rental integrity monitoring review of the tenant files; 4) reduce the number of errors in rent calculations in order to reduce improper subsidy payments; and 5) ensure housekeeping files are properly recorded and filed. During the fiscal year of 2021 & 2022 a total of fourteen (14) sites were reviewed.

WAGE COMPLIANCE

The Labor Standards Unit (“LSU”) within the OAC monitors the wages of employees working on PHA construction and maintenance projects to ensure that, when applicable, the correct prevailing wage is paid for the work performed. LSU conducts consistent reviews of certified payrolls and on-site interviews; traditionally this process has been heavily reliant on volumes of paper. During FY 2021 and FY 2022, the LSU fully began using LCP Tracker, an electronic compliance and record keeping system, which modernized prevailing wage compliance practices at PHA. As a result of the new electronic system and the thorough review of payroll records, all issues related to certified payroll records were corrected in a timely manner resulting in zero citations.

The electronic system for prevailing wage compliance and record keeping was implemented by the LSU in partnership with PHA’s Procurement department. The system includes a HUD-approved e-signature component,



which allows PHA’s contractors to submit certified payroll reports electronically, significantly reducing the LSU’s administrative burden. Implementation of this system improved the efficiency of LSU’s compliance efforts and allowed for an increase in staff time allocation for conducting on-site work interviews and investigations. Lastly, the transition to an electronic system greatly reduced the use of paper, cost of postage, and need for physical storage space for files; resulting in a positive environmental impact as well as cost-savings.

SECTION 3 COMPLIANCE

The LSU also monitors and enforces compliance with HUD’s Section 3 Regulations by ensuring that PHA, and service contract vendors retained by PHA, hire, train, contract or provide other economic opportunities to low and very-low-income individuals (“Section 3 workers”). In addition to Section 3 workers, a portion of the work must be completed by Targeted Section 3 workers which are made up of housing authority residents, and businesses owned by, or whose work is primarily completed by, individuals who qualify as Section 3 workers.

During FY 2021, HUD completely revised the Section 3 regulations (24 C.F.R. 75). The change involved shifting the focus on Section 3 new hires and subcontracting to Section 3 businesses, and to requiring that 25% of all labor hours performed on Section 3 applicable contracts be performed by Section 3 workers and Targeted Section 3 workers. Per the new rule as it pertains to PHA, a “Section 3 worker” is someone whose income is below a specific dollar amount set by HUD, and “Targeted Section 3 worker” is someone who resides in public housing or

receives a federal subsidy from HUD. If a vendor fails to meet the necessary benchmarks, the new HUD rule allows PHA to consider a vendor’s qualitative efforts to comply with the rule. Some examples of qualitative efforts include but are not limited to: providing economic opportunities to Section 3 businesses; providing scholarship opportunities to Section 3 workers; providing training to Section 3 workers; and providing contributions to an approved Section 3 fund.

As a result of the rule change, PHA was in a transitional period during FY 2021 and 2022. During this period, the OAC led the initiative to update PHA’s policies and procedures to conform to the new rule. In addition, OAC continues to collaborate with PHA’s Information Systems Management (“ISM”) Department to redesign PHA’s internal vendor reporting portal.

In conjunction with facilitating the conversion to the new Section 3 rule, OAC continued to monitor PHA’s vendors who were subject to the prior version of the Section 3 rule.

Per the prior version of the Section 3 rule, PHA exceeded the Section 3 minimum goals for FY 2021.

I. Section 3 Annual Report Summary for Hiring

	HUD Minimum Performance Goal	PHA Performance
FY 2021	30%	42.39%

II. Section 3 Annual Report Summary for Section 3 Business Non-Construction Contracts

	HUD Minimum Performance Goal	PHA Performance
FY 2021	3%	21.76%

III. Section 3 Annual Report Summary for Section 3 Business Construction Contracts HUD Minimum Performance

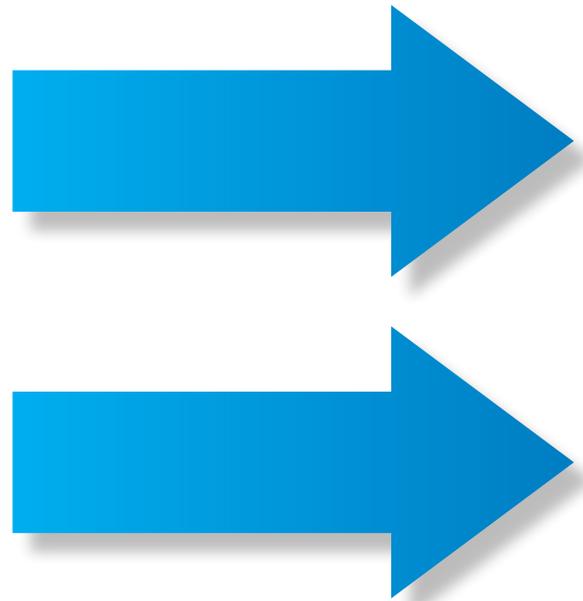
	HUD Minimum Performance Goal	PHA Performance
FY 2021	10%	16.10%



MOVING FORWARD

The Office of Audit and Compliance’s Vision and Values will continue to be as follows:

- Conduct quality audits of PHA’s operations in a timely and efficient manner and in accordance with professional standards established by the Institute of Internal Auditors and Generally Accepted Government Auditing Standards;
- Conduct investigations in a timely, thorough, and impartial manner;
- Ensure transparency and accountability in PHA operations, services, and programs;
- Work closely with other law enforcement, state, and federal agencies to detect and investigate corruption, fraud, waste, abuse, mismanagement, and conflicts of interest;
- Ensure the optimal efficiency and effectiveness in PHA’s operations, programs, and services by emphasizing ongoing compliance with all applicable rules and regulations



To confidentially report PHA-related fraud, corruption, employee misconduct, conflicts of interest, waste, or mismanagement to the Office of Audit and Compliance:

Call PHA's Fraud Hotline: 215.684.8300

Email: OAC@pha.phila.gov

Send mail to:

Office of Audit and Compliance
2013 Ridge Avenue
Philadelphia, PA 19121

